national gas transmission

National Grid House
Warwick technology Park
Gallows Hill, Warwick
CV34 6DA

+44 (0) 1926 65 3000
nationalgas.com

2023/24 Gas Incentive Performance

Quarterly Report

October - December 2023

Introduction

This report is to provide a quarterly overview of the National Gas Transmission (NGT) incentives. It was produced following feedback received through responses to industry events. It should be read in conjunction with the annual RIIO-2 System Operator Incentives supporting information published on our website in October each year which provides a summary of our annual financial performance and further incentive scheme details.
The Gas System Operator (GSO) function of NGT is subject to licence obligations and several financial and reputational incentive arrangements, which are measured in accordance with the licence conditions[1].

These incentive arrangements are designed to minimise the overall cost of system operation leading to benefit for consumers, they are designed to influence our behaviour to minimise the impact on the market, to consider environmental impacts and to support the efficient operation of the wholesale gas market.

The various incentive schemes provide a focus on key areas where NGT can create value for the industry and consumers, the financial schemes allow NGT to retain a share of any value created or be penalised should targets not be met.

For further details

Further details on each incentive see: https://www.nationalgas.com/about-us/system-operator-incentives

Or contact Darren Lond (darren.lond@nationalgas.com), Incentive Development Team Manager.

[1] Special Condition 5.6 System operator external incentives, revenues, and costs (SOIRCt)

Financial Incentives – Performance Scorecard

2023/24 Performance based upon actuals from 1st October 2023 to 31st December 2023.

Incentive	Purpose	Cap and Collar	2023/24 Licence Benchmark	What has influenced performance this year
Capacity Constraint Management	To incentivise the maximum release of capacity (above our obligations) and minimise the costs of constraints against a set financial cost target.	+£5.2m to -£5.2m	A net cost target of £8.5m for entry and exit operational constraint management - incentive revenue or penalty is 39% of the over or under spend respectively with the remaining 61% being passed back to Shippers. NGT retain 14% of non-obligated capacity (entry and exit) sales under the incentive.	Emerging constraint risk has been managed through use of operational tools, planning and strategy. Non-Obligated Capacity has been released at a number of Entry and Exit Points. No commercial actions have been deployed in that time period. The initial impact/risk assessment re early 2024 and summer 2024 maintenance activity completed.
Demand Forecasting D-1	Deliver accurate 13:00 day ahead demand forecast.	+£1.5m to -£1.5m	The scheme has a target forecast error of 8.35mcm per day adjusted up to a further 1mcm dependent upon the extent of additional short cycle storage injection capability connected to the NTS.	Average daily error of 6.76mcm during this quarter. To date, DFSA is forecast to be 0.08mcm. Underlying demand levels for Q3 23/24 were lower this year (231mcm/day) compared to the same period last year (277mcm/day) - mainly due to the reduced EU exports and milder weather.
Residual Balancing	To balance supply and demand on the gas day minimising the impact our trading has on the market when we do take action to balance the network.	+£1.6m to -£2.8m	Linepack Performance Measure (LPM) Target: 2.8mcm/d change. For the shoulder months (October, November, February and March) there is an increase in the target where there is in effect a neutral position between 2.8 and 5.6 mcm/d. Price Performance Measure (PPM) Target: 1.5% of System Average Price (SAP).	**LPM:** The average daily linepack change was 1.8mcm compared to the 2.8mcm target in that quarter. **PPM:** The average price spread for residual balancing trades was 0.9% of SAP compared to the 1.5% target in that quarter. Traded on 184 days out of 275 (73% days) between 1stApr – end Dec 2023. On-the-day Commodity Market (OCM) prices were generally volatile throughout the quarter. SAP (System Average Price) ranged from 56.4 p/th (on 03/06/23) to 133.9 p/th (on 15/10/23).
Maintenance	Deliver benchmark performance for summer maintenance outage days, including and excluding Valve Operations (VO). Minimise NGT driven changes to maintenance planning to deliver network access for customers.	+£0.5m to -£1.5m.	Maintenance Period covers 1st Apr – 31st Oct 1. Changes – minimisation of changes initiated by NGT – Target 7.25% of the total maintenance plan days in the year. 2. Use of Days – (VO) – Target 11 days. 3. Use of Days – (ex VO) – Target align 75% of customer impacting works.	At the end of Q3, the Summer 23 maintenance outage plan delivered 242 days of customer impacting work, only 1 maintenance day was issued. This includes use of days for both VOs and Non-VOs works. 100% of aligned summer maintenance was completed by the end of October, with no changes to the plan initiated by NGT.
Greenhouse Gas Emissions	To consider the environmental impact of our compressor operations when venting.	+£1.5m to -£1.5m	Minimise emissions from compressors with a breakeven target of 2,897 tonnes. Emissions venting reference price for this incentive year is £2,420/tonne.	A total of 608 tonnes of natural gas were vented during the quarter (1638 total to date in FY). Approximately 56% of the annual target. Compressor running hours = 28,630, a 32% decrease from the same period last year. As demand increases, focus shifts from engine inhibiting/dry crank summer processes to strategic winter outlook/ ensuring efficiency in operating the units.